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ECONOMIC TRENDS

THE P.E.I. LABOUR MARKET - A LONG TERM PERSPECTIVE

1. Introduction

The demand for jobs and concern over unemployment probably form the most pervasive subjects of economic and social policy in the 20th century. There is little doubt that the problem of lack of work is extreme at the present time. Yet when viewed from a long term historical perspective the general issue is not so clear as one might have believed. In particular, the background situation for P.E.I. has changed enormously in its fairly recent history. Hopefully this short paper will serve to provide some perspective on this critical point.

Before venturing into the subject it might be noted that annual statistics on the labour market for P.E.I. do not extend back in time very far, and considerable use has been made of Census data. In going back into the pre war period it is interesting to find that the labour force in those years included persons 10 years of age and over, and that the concepts of employment and labour force were not separated. Consequently one does not know the "unemployment rate" in the 1930's, for example. All statistics presented in this report are limited to the population 15 years and over, which is presently used to define the base population for the Canadian labour force.

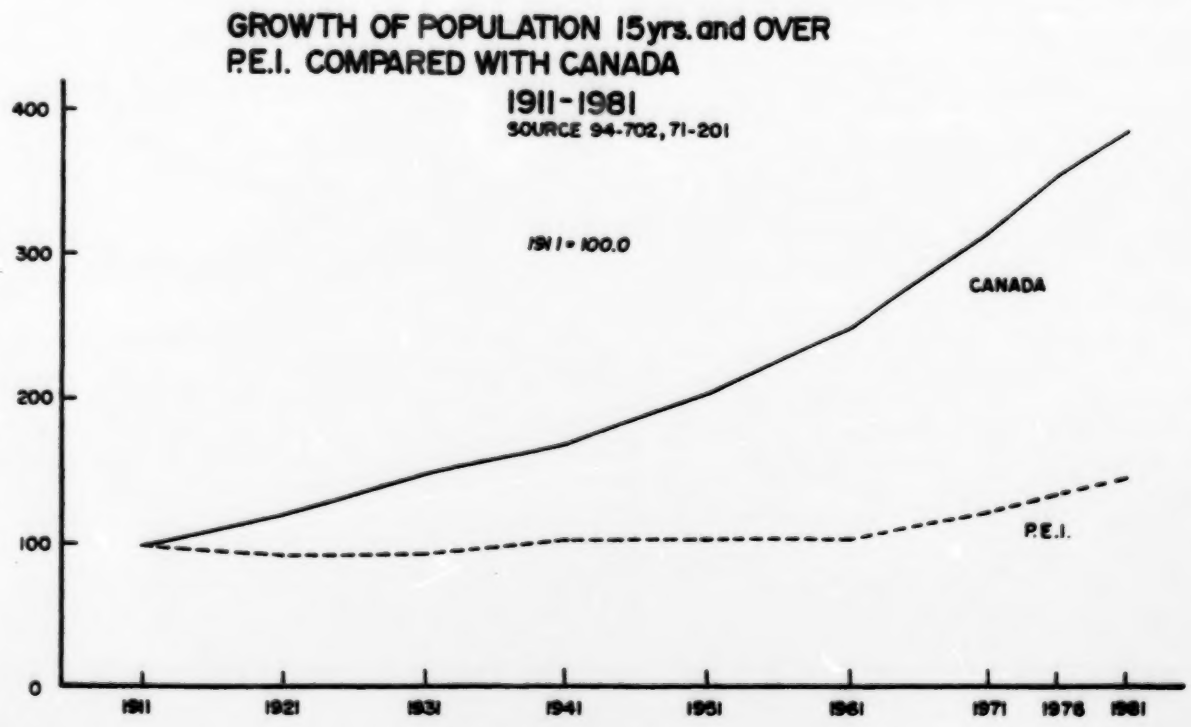
Finally, the earliest year referred to in this paper is 1911, mainly because Statistics Canada had conveniently made estimates of the labour force for Census years back to that year. It is an arbitrary starting point for our purposes and a more appropriate year might have been 1881. The Island's population had been growing rapidly to that year after which it steadily declined until 1923. Thus 1911 fell approximately three quarters of the way into a general population decline on P.E.I., and this is reflected in the pattern of change of the Island's labour force in those early years.

2. Labour Force Growth, P.E.I., General

The labour force is generally defined as the number of people, 15 years of age and over, who are employed, or who are looking for work. The proportion of this population who are in the labour force is known as the "participation rate", and the proportion of the labour force who are not employed, i.e. who are looking for work, is the "unemployment rate".

There is a complex interrelationship between social, demographic and economic factors which impact on the labour market, but clearly the growth of the population itself is closely linked to the condition of the labour market. In Diagram 1, we portray the growth of P.E.I.'s population 15 years + alongside that of Canada itself, 1911-1981. One can see that the population decline on P.E.I. that prevailed to the 1920's turned into a generally static situation over the following 40 years as persistent outmigration limited population gains. In 1961 the total population of P.E.I. was still below its level of 1881.

Diagram 1



After 1961, while net outmigration continued, clearly the size of the 15 years + population on P.E.I. began to increase and after 1971 there was significant growth, which was augmented by in-migration. This upsurge in population growth during the past 20 years represented a major turn-around for P.E.I.

In Diagram 2, statistics on the P.E.I. labour force itself are displayed, separating males from females. The strength of the upsurge in growth after 1961 is even more apparent in this diagram. Between 1921 and 1961 P.E.I.'s labour force increased in total by a mere 3,300 people, following an extensive period of absolute decline. From 1961 to 1981, it expanded by 23,200, or 1,200 per year on average. Clearly there was a fundamental change in the pattern of development of P.E.I. before and after 1961.

Diagram 2

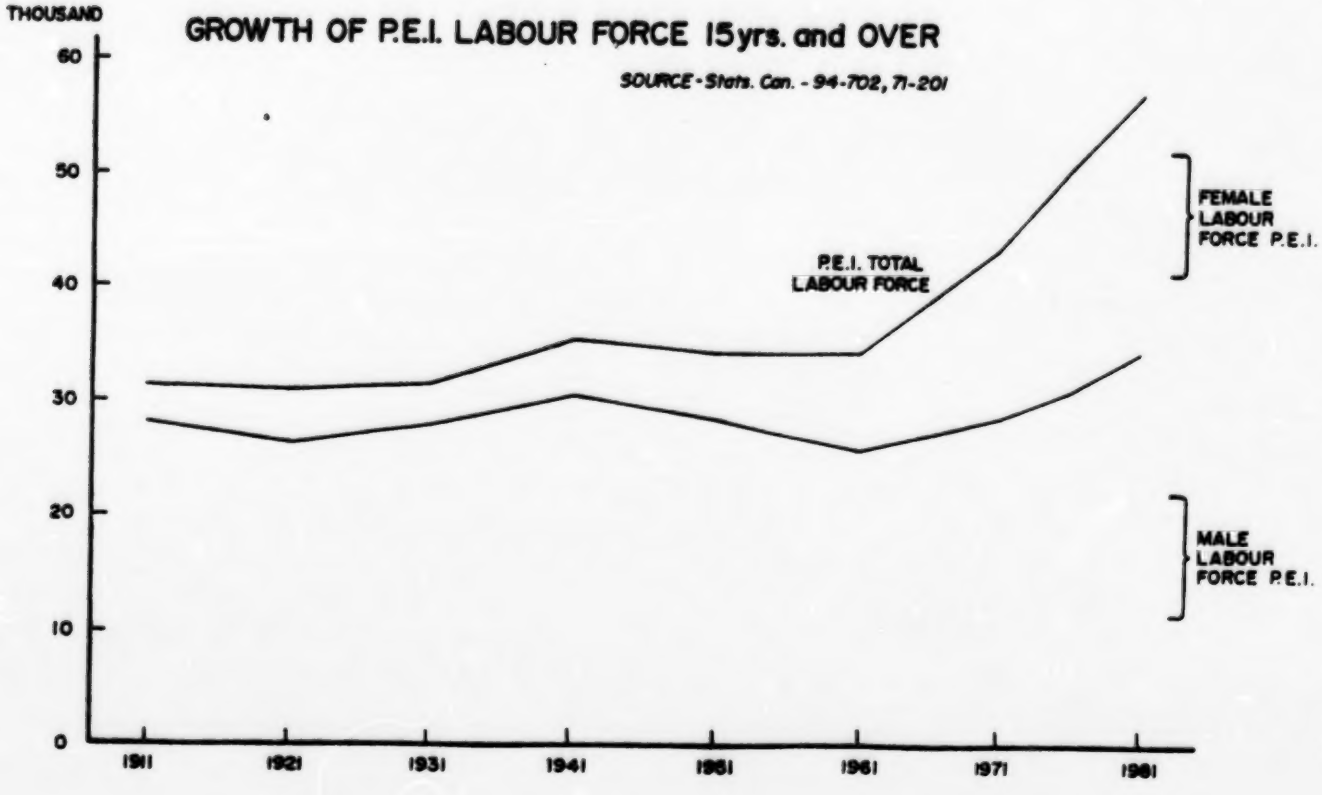


Diagram 2 also reveals that up to 1961 most growth in the labour force was restricted to females as the male labour force trended downwards. In point of fact the male labour force even in 1971 was less than it had been at the turn of the century. Furthermore the male labour force expanded slowly from 1961 while the female labour force increased dramatically, and the principal cause of the recent upsurge.

While this paper cannot hope to analyze the P.E.I. labour market in great depth, it will examine a few general aspects of the labour market, which have a strong bearing on the general pattern of change noted above; (a) the movement of population from farms, (b) the increase in female participation, (c) the post-war baby boom and (d) the increase in the unemployment rate.

4. The Movement Off Farms

In 1931, when P.E.I.'s population was slowing returning to growth, approximately 63% of Islanders lived on farms. The equivalent proportion for Canada was 32%. Table 1 displays statistics concerning the farm population of P.E.I. and Canada, from 1931 to 1981.

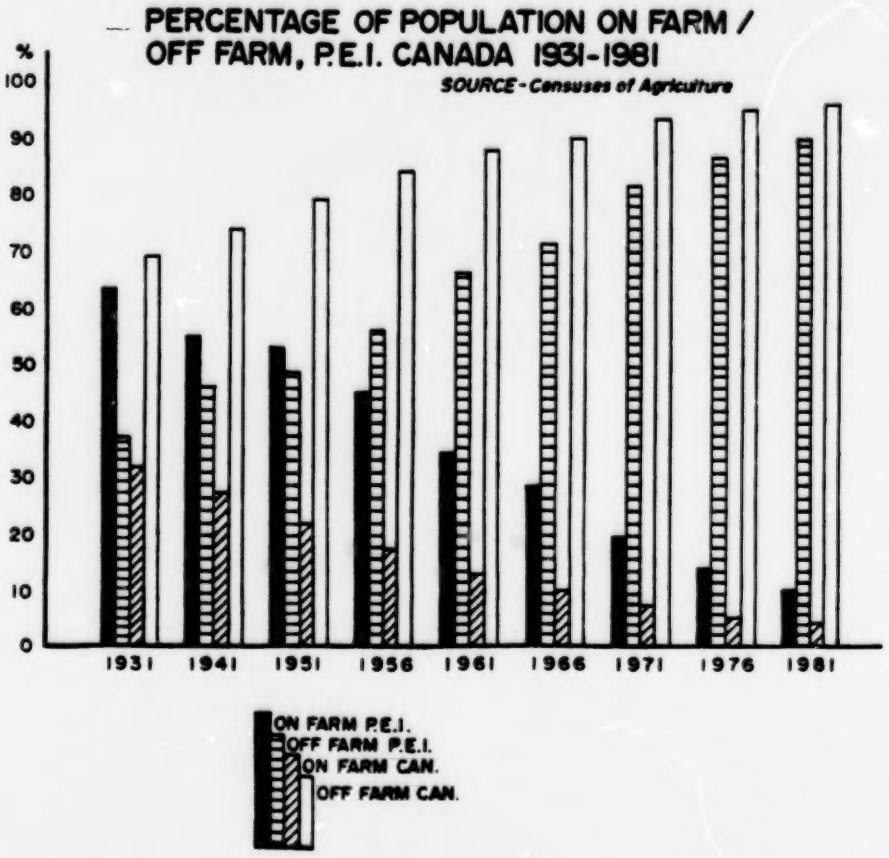
Table 1

DECLINE OF FARM POPULATIONS, P.E.I. AND CANADA

	P.E.I. Farm Population		Canada Farm Population	
	1931 = 100	% of Total Pop.	1931 = 100	% of Total Pop.
1931	100.0	63	100.0	32
1941	92.7	54	95.8	27
1951	85.5	48	88.5	21
1956	78.2	44	83.5	17
1961	63.6	33	64.7	12
1966	56.4	29	59.6	10
1971	38.2	19	45.3	7
1976	29.1	13	38.2	5
1981	21.8	10	32.9	4

The percentage distributions of populations on and off farms are displayed in Diagram 3. The movement of population off farms

Diagram 3



has had a far greater impact on P.E.I. than for Canada generally not only because the proportion on farms has been greater but because the rate of movement off farms has also been greater. The overall reduction in the on farm population between 1931 and 1981 was 78% for P.E.I., and 67% for Canada. By 1981 the proportion of Islanders living on farms was 10%, compared to 4% for Canada. We should note that the definition of a farm changes from Census to Census somewhat, but in 1981 it included all those with agricultural sales over $250. A large proportion

of these farmers had minimal sales and thus the percentage of the population on commercial farms is actually significantly less than 10%. The movement off farms has undoubtedly been the most important factor causing slow growth of the Island's population and labour force for much of this century.

As the percentage of the population on farms has diminished so overall population growth trends are increasingly determined by factors other than farm depopulation. What was happening to the non-farm population? The interesting finding is that growth of this group has been significant, not only as a proportion of the Island's population, but also in absolute terms.

Table 2

PERCENTAGE

GROWTH OF THE NON-FARM POPULATION, 1931-1981

	P.E.I.	Canada
1931-41	33.3%	17.9%
1941-51	15.9%	32.8%
1951-61	25.0%	45.1%
1961-71	15.7%	24.6%
1971-81	37.0%	15.8%
1971-76	25.9%	8.3%
1976-81	8.8%	7.0%

The strong growth in the 30's is the result of a small amount of net migration during the Depression. While not keeping abreast with the growth of the non-farm population of Canada 1941-1971, there were clearly sizeable gains throughout the period, and the period 1971-76 in particular shows a very large increase in this group.

Thus the movement of the Island's population off-farms evidently did not lead to general population and economic decline, as one might have thought would have occurred.

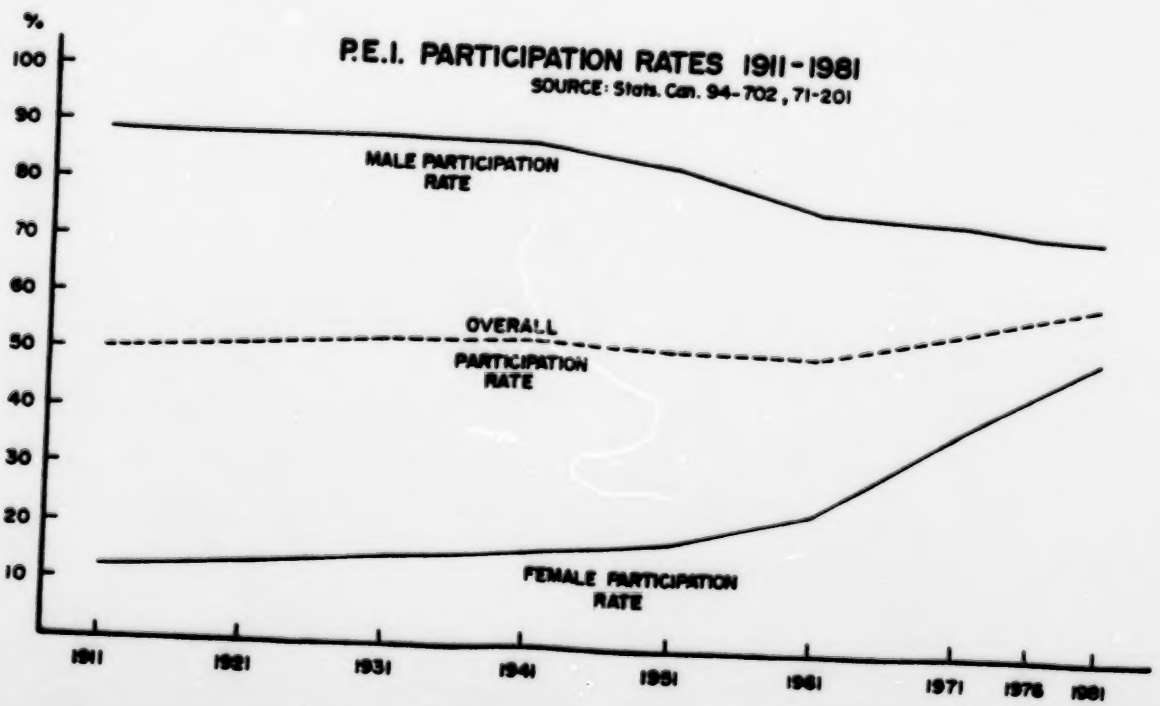
Rather, it appears that its principal effect was to significantly reduce overall labour force growth up to 1961. After 1961, the movement of population off farms continued at a rapid rate while the labour force began to expand significantly on the basis of opportunities in other sectors. This movement off farms apparently was not at the expense of agricultural production as farm production increased significantly in the 1960's and 1970's, with the Index of the Volume of Agricultural Production for P.E.I. 44.5% greater in 1978 than it had been in 1961.

Furthermore this period experienced a significant increase in personal incomes on P.E.I. Total personal income per capita, as a percentage of Canada, was 54.5% in 1951, 58.9% in 1961, 63.7% in 1971, and 71.75% in 1980. Exclusive of transfer payments, income per capita on P.E.I. increased by 138% 1961-1981, in constant dollars. Thus the evidence suggests that the secular decline in the farm population tended to mask gains in the non-farm population prior to 1961. The upsurge in labour force growth since 1961 took place while farm depopulation continued and it was accompanied by significant improvements in personal incomes, gains to agricultural production, and expanded opportunities outside of farming.

5. Female Participation

In 1911 only 12.3% of the female population 15 years and over of P.E.I. counted themselves in the labour force. In

Diagram 4



that year 87.7% of the P.E.I. labour force was male. By 1981, approximately 50% of the female population of 15 years and over were in the labour force, and they formed 40% of the total P.E.I. labour force.

The trends in the female, male and total labour force participation rates for P.E.I. are shown in Diagram 4. It is evident in this diagram that increased female participation has been occurring through the century and its pace picked up 1951-1961 accelerating noticeably after 1961. Also apparent is the general reduction in the male participation rate thoughout the century.

Relating the increased female participation with absolute changes in the population produces some startling results, as can be seen in Table 3.

Table 3

% INCREASE IN THE MALE AND FEMALE LABOUR FORCE, P.E.I., 1911-1981

	Male	Female
1911-21	- 3.8%	+ 2.1%
1921-31	+ 3.1%	+ 8.0%
1931-41	+10.0%	+18.7%
1941-51	- 7.5%	+16.3%
1951-61	- 7.2%	+35.6%
1961-71	+10.2%	+79.7%
1971-81	+20.3%	+64.2%
1971-76	+ 9.1%	+34.4%
1977-81	+10.3%	+22.2%

The female labour force on P.E.I. increased by an astonishing 79.7% between 1961 and 1971, increasing by a further 64.2% 1971-1981. The extraordinary aspect of this growth was that the jump in female participation came at a

time when a massive influx of young adults was entering the labour force because of the baby boom. One can speculate on the reasons for this upsurge in females entering the labour market but undoubtedly one factor has been the effect of the significant reduction in the birth rate and family size since the early 1960's. Improved education and the movement off farms have no doubt also had an impact.

Most important, the increased female labour force took place when there were increased economic opportunities in the province. The total number of females employed on P.E.I. in 1961 was 7,900. By 1981 it reached approximately 19,000 and these 1981 figures understate the actual gain because of definitional differences. Male employment between these years increased from 25,500 to about 29,000. 1981 statistics are based on the Labour Force Survey as the 1981 Census results for the Labour Force are not yet available.

6. The Post-War Baby Boom

Between 1946 and 1963 the fertility rate in Canada and P.E.I. was exceptionally high and this produced a large bulge in the population. After 1962/63 the fertility rate fell very quickly, and has continued to fall to this day.

The general consequence of this phenomenon is that from 1961 to the present there have been an unusually large number of people entering the 15-20 year age group. In 1982 the group 18-36 years of age was very large by historical standards, and this age group is of course a key component of the labour force.

P.E.I.'s experience is indicative of the economic forces at work during the post war period. Between 1951 and 1961 the population 15 years + increased by a mere 2.0%. From 1961-1971 it rose by 14.2%, as the baby boomers started to mature, and this increase would have been greater but for persistent net outmigration.

In the early 1970's the number of young adults reaching the labour force age was augmented by net inmigration, pushing the rate of increase in the population 15 year + up by 22 per cent, 1971-1981. In the context of the virtually static situation that had prevailed up to 1961 over the previous 80 years this increase was extraordinary. In particular one is forced to wonder why the outmigration that had characterized that period did not accelerate with so many people entering the labour market. Instead, the reverse occurred.

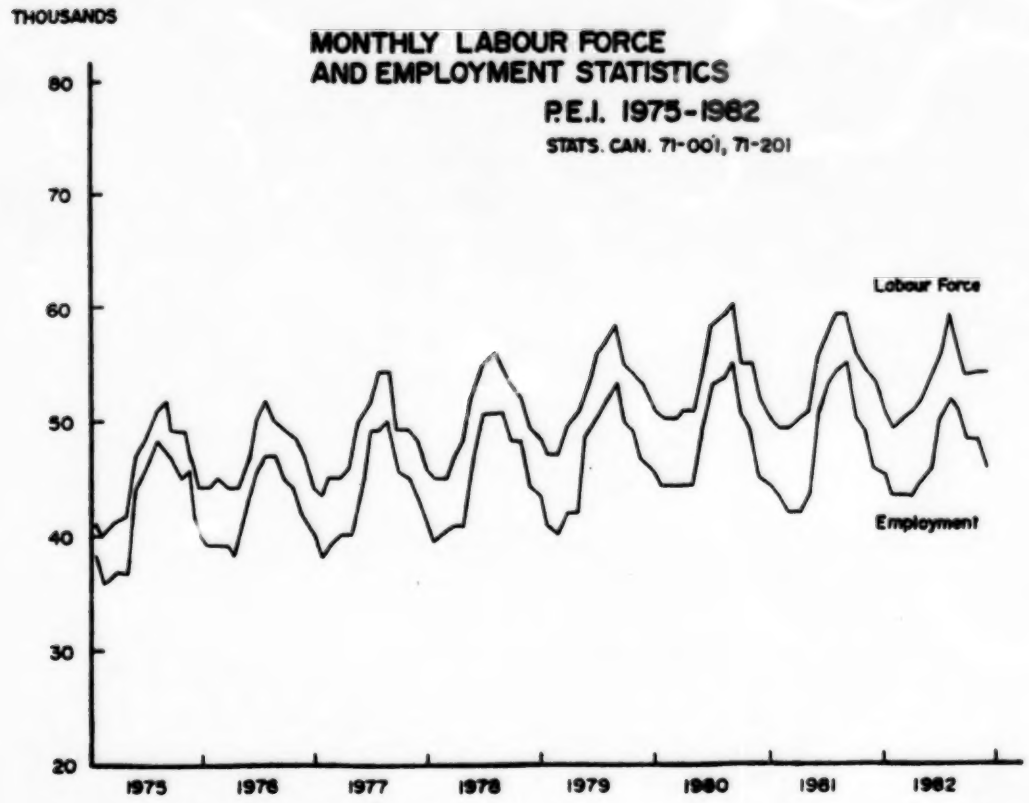
7. Unemployment

Statistics on the monthly unemployment rate have only been available for P.E.I. since 1975, which in terms of our study is very recent history. The available statistics for these recent years all point to a high unemployment rate on P.E.I., ranging from 8.0% in 1975 to 11.4% in 1981. Census data all suggest that the unemployment rate has progressively increased in the post-war period. In 1961 it was 2.6%, 1971 5.6%, and 1976, 8.8%. These data also add to the mystery of inmigration in the 1970's.

The arithmetic answer to the increase in unemployment is clear. The unemployment rate is essentially the difference between the participation rate and the employment rate. Increases in the employment rate have not kept pace with increases in the participation rate, and thus the rate of unemployment has increased. But the employment rate increased between 1961-1981, from 50.0% to 53%. This is called the "employment ratio" in the Labour Force Survey, and represents the % of the population 15+ who are employed. Thus, not only was there a massive increase in the adult population on P.E.I., but the proportion of them employed increased. This is consistent with improved income levels and indicates that a major increase in employment opportunities was taking place. This is also consistent with inmigration in the 1970's. The unemployment rate rose because the participation rate increased from 51.0% to approximately 62.0% 1961 to 1981. As was indicated earlier the upward shift in the participation rate was largely the result of female job entrants. The interesting aspect of this is to question why proportionately more people should have entered the labour force when employment opportunities were expanding thus causing higher unemployment.

Labour force entry and job opportunities are closely related. This relationship is particularly noticeable in the monthly labour force data, non seasonally adjusted, as is shown in Diagram 5. Every spring employment increases, as does the labour force, and the reverse occurs in the fall. Clearly many people count themselves in the labour force only when there is employment to be had. Furthermore, though the number of people unemployed shrinks in the summer, it remains significantly high. In 1978, which was a year of significant employment gains, the unemployment rate never dropped below 6.8% in any month. That was the lowest monthly unemployment rate P.E.I. has had since 1976.

Diagram 5



While there is no conclusive answer to the unemployment rate puzzle the most likely explanation lies in the nature of the pattern of employment behaviour of a significant proportion of the population. In 1979 32% of the male, and 27% of the female income tax filers on P.E.I. received unemployment insurance benefits. Thus a significant proportion of the labour force is dependent on a flow of short term work activity and reliance on unemployment benefits. In this situation, at any given point in time

one will find significant numbers unemployed although one can deduce that over the course of a year short term employment opportunities emerge to provide work for the great majority.

The unemployment rate is likely to increase as the proportion of the labour force who are in this situation increases and probably this is what actually occured in the 1960's and 1970's. The unemployment insurance program clearly assists this type of work pattern. What is not clear is the extent to which the unemployment insurance program itself has given rise to this form of employment pattern, or even created employment opportunities themselves. What is clear is that since 1961 P.E.I. experienced a significant upturn in employment which had a major impact on its economic fortunes notwithstanding the mounting unemployment rate.

8. Summary and Conclusions

The history of the P.E.I. labour market is indelibly related to its economic situation generally. In aggregate terms the Island's labour force showed no growth this century until 1961. In fact the male labour force in 1971 was probably below the level of 1881 and any gains in the labour force to that point arose from increased female participation. The underlying factor at work was the steady diminution in employment on farms and the consequent drift of the rural population away from P.E.I.

The 1960's and 1970's were periods of dramatic change for P.E.I., and general improvement in income levels. This was largely attributable to significant employment gains, particularly for females. There was continued rapid movement off farms, and in the 70's net inmigration gave rise to rapid population growth. All this occurred at a time when significant numbers of young adults were maturing as a consequence of the baby boom.

This period also witnessed a significant increase in the rate of unemployment and growing dependence on unemployment insurance benefits. In 1951 P.E.I. had 40,000 weeks of paid U.I. benefits, and this increased to 155,000 in 1961, levelling off to 152,000 in 1971 and increasing to 477,000 in 1981. Benefits in 1982 are estimated at $70 million, or approximately double the value of net farm income.

The paper has not discussed P.E.I.'s circumstances as we enter 1983 so much as attempted to provide a broad perspective of the labour market in general terms. Some of the trends witnessed in the 1960's and 70's have altered in recent years.

In particular net inmigration appears to have stopped, and the last of the baby boom generation reached 15 years of age in 1979. In 1982 the labour force itself stopped growing as employment opportunities became very limited, with the total employed approximately 3% less than it had been in 1981. For Canada 1982 marks the first year that the female employment rate has declined since statistics were compiled in 1966, and there has occurred a precipitous decline in the employment ratio for males 20-24 years of age. 1982 is evidently Canada's worst economic year since the 1930's. Many predict a slow improvement in economic activity in 1983 with limited employment prospects in the medium term.

The situation for P.E.I. in 1982 is often compared to the 1930's but this is misleading. In those years 63% of the P.E.I. population lived on farms; today it is less than 10%. A significant proportion of the P.E.I. population are now dependent on seasonal or temporary work, combined with unemployment insurance benefits. Thus P.E.I. is more vulnerable to economic downturns than in days gone by.

In reviewing the P.E.I. labour market it is apparent that the province, since 1961, moved from a generally static and predominately rural way of life to a more dynamic situation. The key to this change has been the development of employment opportunities outside of agriculture. The unemployment insurance program has undoubtedly added income stability to a highly seasonal pattern of development. The high rate of unemployment is indicative of a high degree of dependence on short term work opportunities and the nature of this type of work pattern indicates that the demand for jobs will likely always be very great. It also suggests that a reduction in the unemployment rate for P.E.I. requires a major shift away from this pattern to longer term employment opportunities.